

VZCZCXR06732
OO RUEHROV
DE RUEHBU #0439/01 0991908
ZNY CCCCC ZZH
O 081908Z APR 08
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0660
INFO RUCNMR/MERCOSUR COLLECTIVE
RUEHBO/AMEMBASSY BOGOTA 1730
RUEHBR/AMEMBASSY BRASILIA 6755
RUEHCV/AMEMBASSY CARACAS 1779
RUEHMN/AMEMBASSY MONTEVIDEO 7064
RUEHQ/AMEMBASSY QUITO 1074
RUEHROV/AMEMBASSY VATICAN 0003

C O N F I D E N T I A L SECTION 01 OF 05 BUENOS AIRES 000439

SIPDIS

SIPDIS

E.O. 12958: DECL: 04/08/2018

TAGS: PGOV EAGR ECON PREL AR

SUBJECT: ARGENTINA'S PRESIDENT CFK OFF TO A ROUGH START

Classified By: Ambassador E. Anthony Wayne for Reasons 1.4 B and D

¶1. (C) Summary: President Cristina Fernandez de Kirchner (CFK) had a rough first four months in office. Her administration has produced few new policy initiatives or concrete policy successes. CFK's term has been marked by two serious crises, one foreign and one domestic. Both were exacerbated by the Kirchners' preference to limit decision-making to a small cadre of advisors and the tendency to respond harshly to perceived challenges. The Kirchners' exclusive decision-making style -- evident in CFK's early response to the agriculture strikes -- is not yielding positive results for the President. She has large swaths of the population angry, her poll numbers are down, and her advisors are reportedly very divided. CFK and husband Nestor Kirchner (NK) are political partners. He is her closest advisor and plays a major behind-the-scenes decision-making role, especially on domestic issues. A recurring subtext of media coverage of her administration has been the extent of her husband's power and control, forcing her to assert that she is in charge and him to pull back a bit of his public profile. CFK campaigned on themes of continuity and change, but her administration is viewed as more of the former than the latter. CFK has largely retained her husband's personnel and policies, which make policy shifts more difficult. But such changes seem increasingly necessary as public concerns over inflation, public security, energy, and other issues continue growing.

¶2. (C) CFK is eager for Argentina to take a leadership role in the region and more broadly. Her early crisis with the U.S., poorly planned involvement in a Colombian hostage release effort, and an ill advised visit by Equatorial Guinea's president added up to a poor start. She gets mixed reviews for her role in walking Chavez back from his efforts to escalate the recent Colombian-Ecuadorian dispute. She has also sought to ease tensions with Uruguay over their long-running pulp mill dispute, tried to work more closely with Brazil, and begun to show interest in easing tensions in Bolivia. She has also restarted a dialogue with the Catholic Church, which was intermittently antagonized or ignored during NK's administration. But, with recent poll numbers dropping to around 40% approval, the new President has her work cut out for her. End Summary.

Strike One: Miami

¶3. (C) In December, just two days after CFK was inaugurated, the GOA misinterpreted and over-reacted to news reports concerning a federal case in Miami against some Venezuelans and an Uruguayan who were arrested on charges of operating and conspiring to operate in the United States as agents of the Venezuelan government without notifying the Attorney

General as required by law. During the proceedings in Miami, allegations surfaced that undeclared cash brought into Buenos Aires in August 2007 from Venezuela had been destined for a presidential campaign. The statements were not made by the USG, but rather by one of those arrested. However, the initial press reports did not clarify that and the charges were misinterpreted here as reflecting the USG's views.

¶4. (SBU) CFK reacted angrily to the implication that she had been the intended recipient of the cash that was intercepted by GOA officials. Feeding off deeply ingrained anti-American sentiment, CFK resorted to the Kirchners' tendency to lash out at opponents before retreating and seeking reconciliation. She publicly interpreted the Miami arrests as directed against her government and characterized the case as a "garbage operation." To demonstrate her anger, the Ambassador's contacts with the GOA were restricted to the MFA. However, the rhetoric gradually subsided and the relationship normalized with a great deal of behind-the-scenes work during January. A new beginning occurred on January 31, when the Ambassador met with CFK, and they agreed to put the case aside and to work to strengthen bilateral cooperation.

¶5. (C) The crisis made clear that CFK relied on an exclusive inner circle of advisors that included just her husband Nestor (NK), her cabinet chief Alberto Fernandez, and, depending on the issue, Legal and Technical Secretary Carlos Zannini. Secretary General of the Presidency Oscar Parrilli and Planning Minister Julio de Vido are key in the next restricted circle of advisors. Private sector contacts (not anyone in government) opened a back channel enabling Alberto

BUENOS AIR 00000439 002 OF 005

Fernandez and Ambassador Wayne to meet confidentially and re-open dialogue.

¶6. (SBU) The GOA has since launched a concerted effort to act with more restraint in public on U.S.-Argentine relations, and has given prominent and constructive public play to events involving visits by CODEL Engel and the Principal Deputy Director of National Intelligence Donald Kerr. In addition, Cabinet Chief Alberto Fernandez has several times defended publicly the bilateral relationship, characterizing it as "proper and mature," in response to press speculation that the U.S.-Argentine relationship was still frozen (BA 337). Local press reported (correctly), nevertheless, that CFK was bothered by the Secretary's bypassing of Argentina on her recent trip to Brazil and Chile. As one commentator pointed out: this is positive as she cares, unlike her husband who would not have paid any attention if Secretary Rice stopped or not.

Strike Two: Export Taxes

¶7. (C) The GOA's continued affinity for enforcing price controls and for taxing its most productive sectors reached its limits in the agricultural sector, creating CFK's second crisis. Argentina's powerful agricultural sector went on strike March 13 in protest over the GOA's new tax increase on commodity exports (BA 368). This was the first massive strike of the entire agricultural sector against the CFK administration, and it surpassed in size all previous strikes by the sector within the last thirty years. The road blocks by the protesters caused food shortages in urban centers and tested CFK's ability to govern (BA 376). Her March 26 speech sharply criticized the strikes, claiming the sector earned record profits at the cost of ordinary Argentines. Farmers and those supporting their protest immediately filled the streets throughout the country in protest. Buenos Aires residents took to banging pots and pans in a rejection of her tough stand. A more reasonable March 31 speech announcing some compensatory measures was followed by a vitriolic April 1 pep rally of up to 100,000 supporters where she again accused the farmers of coup plotting while asking them to

stop the strike and talk. CFK ultimately employed back channel discussions with the ag sector (again led by Cabinet Chief Alberto Fernandez) to negotiate a truce, but many sector observers predict that, in the absence of GOA concessions, the farmers will resume their strike once their harvest concludes in May.

¶18. (C) CFK emerged from the unrest phase of the strike much criticized in the media, down in the polls, more reliant on her hard core of supporters, including extremist piqueteros, and with her base divided with a number of governors distancing themselves from government actions. In addition, her closest advisors are reportedly further split at present, with Alberto Fernandez being widely criticized, Julio De Vido trying to weaken him further, and Carlos Zannini criticizing both of them.

Argentina's Role in the Region

¶19. (C) CFK's early efforts to show herself as a leader in the region have had limited success. The U.S. crisis was a serious blow to her international ambitions. In late December, the GOA was criticized in the local press and by the opposition for NK's role in the Chavez-orchestrated "bungle in the jungle" that failed to secure the release of a number of FARC hostages (BA 013). An ill advised visit by President Obiang of Equatorial Guinea led to more criticisms.

In the immediate aftermath of Colombia's March 1 attack on the FARC camp in Ecuador, the GOA swiftly condemned the action expressing concern about a "violation of Ecuadorian territorial sovereignty." However, after Brazil's public announcement on March 3 that it would coordinate an OAS effort to mediate the conflict and Ambassador's discussions with Foreign Minister Taiana and Cabinet Chief Fernandez (BA 274), Argentina toned down its rhetoric. CFK appears to have played a helpful role in reducing regional tensions ahead of the Rio Group summit when she visited Venezuelan President Hugo Chavez on March 6 and apparently in private urged him to move away from previous bellicose rhetoric. The local press later reported that Argentina had coordinated its OAS position on the matter with Brazil, Chile, and Mexico to show some distance from Chavez.

Buenos Aires 00000439 003 of 005

¶10. (C) On Brazil, CFK set out early to establish a framework for regular bilateral consultations which could produce concrete results. CFK met with President Lula in February and signed agreements to expand nuclear power and defense cooperation. However, her efforts to secure additional natural gas supplies for Argentina in a March tripartite meeting with Lula and Bolivia's Evo Morales failed (BA 230). Local analysts interpreted Brazil's public rejection of CFK's request as a sign that she was poorly staffed and ill-advised on regional diplomatic engagement.

¶11. (SBU) On Bolivia, in recent days CFK dispatched Foreign Minister Taiana to La Paz to work with Brazil's Foreign Minister to ease domestic tensions, which may signal a willingness to be more active there.

¶12. (C) On Uruguay, CFK has made an effort to lower the temperature on the two-year old pulp mill dispute, after she publicly defended Argentina's position in front of Uruguay's President Vazquez in her initial swearing-in speech. She has publicly stated that Argentina will respect the International Court of Justice's (ICJ) ruling on the issue. Nevertheless, two of the three Argentina-Uruguay border crossings remained blocked over the peak tourism Easter weekend; the third crossing was open only to pedestrian travelers.

¶13. (C) The GoA likes to portray CFK (with some merit) as an international defender of human rights, and she has played this up in recent public speeches. In February 2007, she was

a speaker while still Senator at the Paris signing of the UN Convention for the Protection of All Persons from Forced Disappearance. She appears intent on strengthening her credentials in this area, especially as Argentina once again seeks a seat on the UN Human Rights Council. In February 2008, CFK took a chance to publicly, albeit generically, chastise the human rights record of Equatorial Guinea's President Teodoro Obiang during his state visit to Argentina in February. (Note: The Obiang visit described in BA 320 was a foreign policy embarrassment for CFK. The fact that CFK agreed to host a leader such as Obiang indicates that her desire to be more of an international player is not matched by her experience.) On March 17, CFK met with former FARC hostage Clara Rojas, who said that "Cristina can do much for the humanitarian cause" in securing the release of additional hostages. CFK had earlier committed the GOA to help secure the release of Ingrid Betancourt during her inaugural address in December 2007. CFK's April 6-7 trip to Paris had as a focus support for Betancourt's release as well as other human rights themes.

Venezuela

¶14. (C) CFK has maintained her husband's policy of close relations with Venezuela. Although CFK has publicly referred to Chavez as Argentina's "friend," the relationship is largely pragmatic rather than reflecting any particular GOA affinity with Chavez's extremist positions. Argentina relies on Venezuelan financing, and now on Venezuelan oil as it faces looming energy shortages, while Argentina facilitates Chavez's entry into MERCOSUR and provides him some cachet in the region. The close relationship with Venezuela could make Argentina an effective interlocutor with Chavez in trying to leaven some of his more extremist behavior -- if CFK is willing. As mentioned in para 3, she appears to have weighed in with Chavez to try and walk him back from his decision to escalate the Colombian-Ecuadorian dispute. Our sources say that privately she is regularly quite critical of Chavez's antics.

GOA-Church Relations

¶15. (SBU) One of CFK's campaign promises was to engage all sectors in dialogue (including those that had been alienated by her husband). While the rural sector crisis belies that pledge, she did meet with Catholic Cardinal Bergoglio in December 2007, restarting a dialogue with the Catholic Church's senior cleric in Argentina that had been suspended for over three years by NK. She soon encountered another setback, however, with the stalled and poorly staffed nomination of former Justice Minister Alberto Iribarne as Argentina's Ambassador to the Holy See. After his nomination, media leaked that the Vatican would not accept Iribarne because he was a divorced Catholic living with a new

BUENOS AIR 00000439 004 OF 005

partner. Iribarne eventually removed his name from consideration in order to defuse the situation (BA 320). At present, church leaders are apparently weighing whether to take a swipe at the government and others over "politics of confrontation," and over GOA proposals to decriminalize possession of drugs.

Public Approval Still High, But Waning

¶16. (SBU) At home, CFK's lackluster performance in office is reflected in recent approval ratings. Her approval ratings reportedly now hover just around 40% in polls taken after the ag strike, down from over fifty percent in January. CFK seems to be facing the same phenomenon Menem encountered after winning re-election in 1995 when his popularity dropped precipitously six months after re-election. Today, the Argentine public does not distinguish CFK's administration

from her husband's and sees more "continuity" in style and policy rather than change to meet new challenges. Her recent drop in the polls is attributed to her handling of new taxes on agricultural exports and the subsequent rural sector strikes. The public seems to have rejected both the imposition of the tax without any discussion and her heavy-handed and vitriolic response to the protesters. Local analysts also attribute the decrease to the public's lack of confidence in her ability to manage Argentina's inflation, energy, and public security woes. Local polling firm Ipsos reports that CFK is positively evaluated on her respect for human rights, management of foreign relations, and attracting investment. On the opposite side of the spectrum, 75 to 85 percent disapprove of how she is handling public security, inflation, guaranteeing justice, and fighting corruption.

Other Looming Challenges: Energy and Inflation

¶17. (C) The February Ipsos poll found that over 50 percent of Argentines have little or no confidence in the government's ability to solve a burgeoning energy crisis that could lead to gas and electricity rationing this coming austral winter (BA 356). Rather than acknowledge that frozen utility rates have discouraged investment in the energy sector, the GoA has attempted to deflect criticism by announcing a series of energy conservation measures (including expanding daylight savings time and announcing the distribution of millions of subsidized low-watt light bulbs). The GoA has not yet developed a cohesive plan to adequately address Argentina's energy crunch, which may well show up in shortages during upcoming winter months.

¶18. (C) Local analysts agree that concerns over inflation consistently rise to the top in public opinion polls. A study by Torcuato di Tella University noted that consumer confidence fell to a five-year low in March. In her March State of the Nation speech to the opening of Parliament, CFK chose neither to mention current high levels of domestic inflation nor the raging public debates over the accuracy and reliability of data from the GoA statistics agency ("INDEC"). Opposition leaders sharply criticized this omission, with former presidential candidate Elisa Carrio arguing that CFK's presentation demonstrated "a strong dissociation with reality" that ignored Argentina's present inflationary challenge (BA 274). Continued delays in the introduction of a new CPI inflation measure, promised in January, have not helped the GOA's case (BA 284). Recent polls show very little public confidence in official statistics.

Who's Running the Show?

¶19. (C) Since CFK's inauguration, Nestor has officially dedicated himself to reorganizing and revitalizing the Peronist Party (PJ) to consolidate the party's electoral base. NK's micromanaging tendencies are probably well suited to running the party, which nearly disintegrated during his administration. The former President maintains his own offices in Puerto Madero and still is in direct contact with many provincial governors, mayors, and union leaders. He is often referred to as Argentina's de facto "Economy Minister" because of his continued influence in the administration through his cronies, Planning Minister Julio De Vido and price control czar Domestic Commerce Secretary Guillermo Moreno. Local newspapers speculate that Nestor still weighs heavily on policy decisions in Argentina, prompting former president Eduardo Duhalde to describe CFK's administration as

BUENOS AIR 00000439 005 OF 005

one with a "double command," a term used frequently by the media. The fact that CFK kept two-thirds of her husband's ministers in place and still relies on the same narrow circle of advisors he did contributes to the perception that Nestor is still running the show. The media focus on Nestor's influential role in his wife's government has prompted him

to take a backseat publicly, for example, staying at home during CFK's state of the union address on March 1 (BA 272).

NK recently backed out of a trip to New York and privately we were told the main reason was to avoid the appearance of a "double command."

Comment

¶20. (C) Perhaps not so surprisingly, the Kirchners seem unwilling or unable to adapt the decision-making style that worked so well under Nestor and which has governed their political partnership for much longer, according to local analysts. However that model looks as present like a formula for survival, not success. The Argentine public, traumatized by the severe 2001-02 crisis, gave NK a broad mandate and was ultimately grateful to him for bringing the country back from the brink. It was tolerant, even solicitous, of a strong, autocratic decision-making style and interventionist economic policies. As the crisis recedes in the wake of five years of strong economic recovery, that tolerance seems to be waning. Big chunks of the Argentine public shows signs of chafing at government by edict. CFK shows no signs -- yet -- of changing her policies or style to accommodate changing circumstances or to engage in the kind of sectoral dialogue that she called for during her campaign.

¶21. (C) The early crises also highlight the Kirchners lack of a coherent policy development or implementation process, as they rely on a minuscule circle of advisors who are tasked with running the government. Cabinet Chief Fernandez is tasked with duties that have stretched him thin, including serving as the lead negotiator in the government's two major crises and acting as the de facto GOA spokesman on most issues. Fernandez is highly capable, but he is human, and he seems to be severely overburdened. Other Ministers and officials have also become concerned with his growing authority. Rival (Planning Minister) Julio de Vido, for example, reportedly purposely is leaving issues unresolved and pushing them to Fernandez to further burden him. This concentration of authority also reflects institutional weaknesses inherent in the GOA, evident by the exclusion of ministers like Foreign Minister Jorge Taiana from policy formulation, and is a formula for further policy missteps if it is not altered.

¶22. (C) CFK still enjoys some powerful bases of support in the blue-collar and union constituency and the political machine dependent on central government funds, which her husband built while president. Factors that contribute to her popularity include: 1) her husband, who left office with unprecedented levels of public support and remains Argentina's most popular politician; 2) Argentina's continued economic growth; 3) the lack of a coherent opposition; and 4) her emphasis on human rights (especially related to Argentina's last military dictatorship), which resonates with many Argentines.

¶23. (C) CFK's overall approval ratings have taken a considerable hit from her recent handling of the agriculture strikes. Some commentators are reporting that her support has dropped to below 40% of the population, and that it now consists of little beyond the Peronist core, which accounts for some 35% of the Argentine electorate. The government has the big challenge before it of still negotiating an accord with the rural sector during the current truce. Beyond this is the need to deal with the negative impact of inflation and energy bottlenecks and simmering concerns over crime. Left unaddressed, these problems and mishandling of events such as the rural sector strike will only further erode CFK's political standing. End Comment.

WAYNE